

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov).

FISCAL IMPACT REPORT

SPONSOR Burt **ORIGINAL DATE** 02/17/21
LAST UPDATED 03/01/21 **HB** _____
SHORT TITLE Fire Protection Fund **SB** 256/aSTBTC
ANALYST Rabin

REVENUE (dollars in thousands)

Estimated Revenue				Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24		
NFI	(\$19,070.4)	(\$20,070.4)	(\$20,570.4)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates the HAFC Substitute for House Bill 238

SOURCES OF INFORMATION

LFC Files

Responses Received From

Governor's Office

Department of Homeland Security and Emergency Management (DHSEM)

New Mexico Counties

SUMMARY

Synopsis of STBTC Amendment

The Senate Tax, Business and Transportation Committee amendment to Senate Bill 256 directs residual year-end balances in the fire protection fund (FPF) to revert to the general fund, rather than the fire protection grant fund (FPGF).

Synopsis of Original Bill

Senate Bill 256 amends statute governing the FPF to mandate that 100 percent of projected remaining balances in the fund, and any residual balances at the close of the fiscal year, be distributed to the FPGF. The bill further modifies the FPGF to be nonreverting and directs any monthly interest earned on its cash balances be credited to the fund. Currently, 40.2 percent of projected FPF balances are distributed to the FPGF, with the remaining balance (including any residual year-end balances) reverting to the general fund; remaining balances in the FPGF also revert to the general fund.

The bill further requires the Fire Protection Grant Council to develop criteria for assessing the critical needs of recruiting and retention programs for volunteer fire fighters, and provides that grant assistance to pay stipends to volunteer firefighters may be considered for areas not deemed “underserved areas.”

The effective date of this bill is July 1, 2021.

FISCAL IMPLICATIONS

The FPF and FPGF intercept general fund revenue and redirect it toward distributions and grants to local fire departments. Remaining balances at the end of the fiscal year revert to the general fund, so any changes to the fund's revenues or distributions will impact the general fund.

Under current law, 40.2 percent of projected FPF balances are distributed to the FPGF, with the remaining balance (including any residual year-end balances) reverting to the general fund; remaining balances in the FPGF also revert to the general fund. In FY20, general fund reversions from the FPF totaled \$13.9 million, and the Public Regulation Commission (PRC) projects \$15.8 million in reversions in FY21.

Based on prior year revenues and expenditures, as well as requested expenditures for FY22, this analysis projects general fund reversions from the FPF under current law of \$18.9 million in FY22, \$19.9 million in FY23, and \$20.4 million in FY24. Detail of projected revenues and expenditures are outlined in the chart below:

**Projected Fire Protection Fund Revenue & Expenditures
FY21 to FY24**

Revenue/Expenditure	FY21	FY22	FY23	FY24
Estimated fire protection fund (FPF) revenue	\$94,256.8	\$94,256.8	\$95,092.9	\$95,929.0
FPF Distributions to fire districts (including payment of NMFA loans) and 40.2% FPGF distribution	\$70,864.3	\$69,000.0	\$69,336.1	\$69,672.2
PERA distribution	\$750.0	\$750.0	\$750.0	\$750.0
Operational costs for State Fire Marshal's Office	\$4,531.8	\$5,125.0	\$5,125.0	\$5,125.0
Burn building construction costs	\$2,300.9	\$500.0	\$0.0	\$0.0
Total expenditures	\$78,446.9	\$75,375.0	\$75,211.1	\$75,547.2
Reversion to General Fund	\$15,809.9	\$18,881.8	\$19,881.8	\$20,381.8

Source: PRC; LFC files and analysis

The above analysis relies on the following assumptions:

- FPF revenue in FY22 will be flat with FY21;
- FPF revenue in FY23 and FY24 will increase \$836.1 thousand compared with the previous fiscal year;
- Expenditures for FPF distribution and FPGF grants in FY22 will be equal to the projected amount budgeted in the State Fire Marshal’s Office FY22 appropriation request;
- Operational costs for the State Fire Marshal’s Office will be equivalent to the amount included in the LFC’s FY22 budget recommendation; and,
- Construction on the burn building can be completed with the \$500 thousand in funds requested for FY22 through the capital outlay process.

Additionally, the FPGF reverted \$188.6 thousand in FY20. Assuming similar reversions in future fiscal years, total reversions to the general fund from both the FPF and the FPGF will total \$16 million in FY21, \$19.1 million in FY22, \$20.1 million in FY23, and \$20.6 million in FY24. If this revenue is redirected to the FPGF beginning in FY22, the general fund will see reduced revenue of \$19.1 million in FY22, \$20.1 million in FY23, and \$20.6 million in FY24.

The STBTC amendment directs residual year-end balances in the FPF to revert to the general fund, rather than the FPGF (as was the case in the original bill). Notably, because these residual balances are funds in excess of projections, this amendment does not change the *projected* fiscal impact of the bill. However, this amendment would likely result in lower *actual* fiscal impacts than the introduced version of the bill, but it is not possible to project what that difference would be.

SIGNIFICANT ISSUES

Revenue to the FPF comes from the 3 percent premium tax on auto and fire insurance collected by the Office of the Superintendent of Insurance.

The Department of Homeland Security and Emergency Management (DHSEM) (to which the State Fire Marshal’s Office, and related funds, will transfer from the Public Regulation Commission in FY22) explains that the fire protection grant fund “is an essential supplemental funding resource for fire departments to apply for additional funding for high dollar projects, which ultimately result in better outcomes, for protecting New Mexico communities from fire emergencies. This important fund allows fire departments of any size to apply for funds to obtain essential apparatus (fire engines), firefighting and rescue equipment, firefighter personal protective equipment (PPE), and fire stations in areas where funding resources are limited.”

DHSEM reports that there was \$10.8 million available in the FPGF in FY20, while grant applications totaled \$45.8 million. In FY21, the agency reports \$6.2 million was available and \$16.8 million was requested. The agency notes these unfulfilled needs leave fire departments without essential firefighting apparatus, equipment, PPE, water supplies, and appropriate fire stations, all of which are essential to emergency response preparedness. New Mexico Counties similarly states that needs related to nonpersonnel operations, infrastructure, apparatus and equipment, training, emergency medical services, insurance, telecommunications, technology, volunteer retention, and water storage and unfulfilled.

DUPLICATION

SB256 duplicates the House Appropriations and Finance Committee substitute for House Bill 238.

ER/al/sb